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Cattle in Canada

## • North American Cattle and Beef-Veal Trade

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In this issue:

2 Change Marks North American Cattle and Beef-Veal Trade By Gary Groves

5 U.S. Still Major Supplier of Taiwan's Grain Imports

6 U.S. Food Trade Policy and the Developing Nations By Don Paarlberg

8 Argentina's Wheat Crop and Exports Near Record Levels

9 Soviet Bumper Grain Crop Near 1973 Record Level By Fletcher Pope, Jr.

10 World Oil and Fat Output Downshift Expected in '77 By Alan E. Holz

12 How Guatemala Came To Be a Producer of Kenaf By William C. Bowser, Jr.

14 USSR Egg/Poultry Meat Output Below Target Levels for 1976

15 U.K. Imports of U.S. Leaf Off as Total Imports Decline

16 California Prune Exports Set Record

**This week's cover:**

**A herd of Hereford cattle graze on a Canadian ranch near Twin Butte, Alberta. The United States counts its northern neighbor, Canada, and its southern neighbor, Mexico, as major markets and sources for cattle and beef. See article opposite.**

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# Change Marks North America Cattle and Beef-Veal Trade

By GARY GROVES
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THOUSANDS of miles of open borders, and complementary livestock industries, have made Canada and Mexico leading U.S. partners in cattle and beef trade.

This trade has taken some wide swings in recent years, however, with the latest move being a rebound during January-September 1976 from reduced levels of the previous year. The gain carried two-way cattle and beef trade with Canada to over $163 million, compared with less than $50 million in January-September 1975, while value of U.S.-Mexican trade rose to $77 million from $45 million.

Contributing to the sharp swings have been a number of marketing problems—not all of them of this Continent's making. U.S.-Canadian cattle and beef trade has been periodically restricted since 1973 by quotas, health requirements, and other problems. Mexican-U.S. trade has been restrained mainly by unattractive beef and cattle prices in the United States vis-a-vis Mexico. And the world beef supply picture has swung from an extremely tight situation in 1973/74 to surpluses recently, with attendant diminishing of import demand, restriction of the important European Community and Japanese beef markets, and diversions of beef to the United States and Canada.

The latter changes ultimately have affected trade between the United States and its North American neighbors, as witnessed by the implementation on October 9 of U.S. quotas to stem the heavy inflow of beef imports. These quotas—the first ever to be implemented under provisions of the U.S. Meat Import Law—limit U.S. imports of fresh, chilled, and frozen beef, veal, mutton and/or goat meat to 559,285 metric tons during 1976.

The quotas will not materially alter traditional patterns of U.S. beef trade with Canada and Mexico. But they will stop larger than usual U.S. imports of Canadian beef, displaced into this market as a result of inexpensive imports of Oceania meat into Canada.

In the case of Mexico, beef exports to the United States will come in well under initial estimates for its 1976 trade—despite sizable gain over the reduced level of last year. The recent devaluations of the peso, however are providing some export incentive despite Mexican Government taxes aimed at discouraging a heavy outflow of meat. Devaluation will also tend to discourage Mexican imports of cattle and beef, as will Mexican Government regulations regarding the import of breeding cattle.

A closer look at these two U.S. trading partners follows:

**Canada.** Bolstered by the elimination of 1974/75 quota restrictions, live cattle and beef trade between the United States and Canada during the first 9 months of 1976 rose well above the restricted levels of 1975. (See the September 30, 1974, issue of *Foreign Agriculture* for background on the quotas.) U.S. exports of live cattle, beef, and veal to Canada during that period totaled $49 million, for a gain of 89 percent over those in the same period of last year. And U.S. imports of these products from Canada soared to $114 million from only $20 million during January-September 1975.

BY REVERSING THE reduced trade between Canada and the United States since 1973, these developments returned the two countries to their traditional roles as partners in cattle and beef trade. Canada this year ranks as the top U.S. market for cattle and second largest market for beef and veal. The United States counts Canada as its leading source of cattle and fourth largest supplier of beef and veal.

For Canada, the lifting of the 1974/75 quotas has meant a much larger trade gain than that for the United States. During the first 9 months of 1976, the United States imported 320,766 head of live cattle from Canada—far above the 35,575 head and 118,615 head imported during the same periods of 1975 and 1974, respectively. In addition, the

United States imported 31,852 tons of Canadian beef and veal, compared with only 4,313 tons in January-September 1975 and 12,650 in the 1974 period.

There have also been some dramatic changes in Canada's cattle exports to the United States. Whereas such exports prior to the 1970's consisted largely of feeder cattle, now the majority is slaughter animals, including both calves from eastern Canada and cows from eastern and western Canada. This sharp gain in shipments of slaughter animals comes as result of two developments:

First, Canada, like the United States has been going through a liquidation phase in its cattle cycle, with low prices of the past few years reflected in large herd reductions. This stepped-up Canadian slaughter has been especially prevalent during 1976, with January-September cow slaughter up 15 percent from the same period last year and 54 percent from 1974. The pace of U.S. slaughter, on the other hand, has eased to the point where the January-September rate was even with that of the first 9 months of 1975, albeit still 55 percent over that of 1974.

Second, the 1976/77 dairy policy introduced by the Canadian Government this past April was directed at reducing industrial milk production in order to prevent unmanageable and costly dairy surpluses. Accordingly, lower industrial milk quotas were set for each producer, with severe price penalties for over-quota deliveries.

This, in turn, forced an increased culling of dairy cows during the spring months, especially in eastern Canada, where most of Canada's milk is produced. During the second quarter of 1976, cow slaughtering in eastern Canada increased about 45 percent over that of the 1975 period.

Meanwhile, U.S. slaughter cow prices during the first part of 1976 held well above their 1975 levels and since April have also surpassed 1974 levels. As a result, much of Canada's surplus of slaughter cows has been exported to the United States. And since the United States has traditionally been a large market for Canadian boneless beef for processing, the increased availability of slaughter cows has hit that market also.

Finally, the United States this year has been receiving the surpluses of other nations indirectly through Canada as a result of that country's stepped-up beef imports—especially from Australia and New Zealand.

*Top to bottom: Roundup of cattle in Canada; aerial view of a feedlot in the Mexican State of Coahuila; and cattle grazing on a Texas pasture. Because of their proximity and sizable livestock industries, Canada and Mexico are top U.S. trading partners for beef and cattle.*

*Cattle on pasture in Canada.*

This problem traces back to the recent growth in world surpluses of beef and veal and the consequent near closing of the Japanese and EC markets in 1974. These moves were followed in 1975 and 1976 by voluntary restraint agreements between the United States and many of its suppliers to avoid a flood of imports triggering quotas called for in the U.S. Meat Import Law.

IN THE FACE of these limitations, Australia and New Zealand began diverting some of their exports to Canada. Through September 1976, these countries shipped about 65,800 tons of beef and veal to Canada, or 54 percent more than in the same period last year.

Australia and New Zealand reportedly were able to achieve their market gains by selling beef on the Canadian market at prices considerably discounted below those offered to U.S. importers. This increased the supply of beef in Canada and thus raised that nation's export availabilities, most of which moved to the United States since Canada was not a participant in the restraint program.

By June 1976, the situation had reached the point that Canada sought consultations with Australia and New Zealand to limit the discounting of their beef. These consultations resulted in a June announcement that Australia and New Zealand would no longer approve exports of beef destined for Canada unless the price was no more than 6 cents per pound below comparable offers in the United States. However, the displacement of Canadian beef into the U.S. market continued, finally triggering the October U.S. meat import quotas.

Effective October 18, Canada also imposed quotas upon imports of fresh, chilled, and frozen beef and veal, limiting such imports for the remainder of 1976 to about 7,900 tons. Of this total, Australia was allocated about 3,700 tons; New Zealand, 2,200; and the United States, 2,000. Meat contracted by October 12 and shipped by October 18 was not affected.

**Mexico.** U.S. imports of live cattle and beef and veal from Mexico also rebounded sharply in the first 9 months of 1976 from the reduced levels of 1975. Live cattle imports more than doubled the 1975 level of 95,310 head to reach 230,150, and beef and veal imports gained to 13,411 tons from 7,952 tons. But imports remained below levels for years prior to 1975, such as the 393,270 and 417,597 head of cattle imported in the 1973 and 1974 periods, respectively. Almost all were feeder animals.

The unusually low 1975 imports came as a result of a sharp drop in U.S. feeder cattle prices during the first part of that year, when at times they were little more than half the 1974 levels.

Since then, feeder cattle prices have returned to levels closer to those of previous years.

Mexican beef shipments to the United States, like those of other major supplying nations, earlier this year were subject to the voluntary restrain program. Mexico's voluntary restraint level was 29,215 tons. However, by the time quotas were imposed in October it appeared that Mexican trade would not reach this level, the quota was set, at 23,587 tons.

Part of the beef exported to the United States is from slaughtering plants participating in the "Maquila" beef program. Under this program, slaughter cattle from the United States are imported at low duty rates and slaughtered at certain plants in Mexico. The meat is then shipped back to the United States, and the hides, bones, fats, and offals are sold in Mexico. The level of this trade is highly dependent upon the price relationship between U.S. boning cattle and U.S. boneless beef.

Maquila shipments during the first 9 months of 1975 dropped to 6,758 tons, 2 percent below the level for the same period of 1975. U.S. exports of cattle to Mexico, being very dependent upon the level of this Maquila trade, decreased from 56,098 head in January-September 1975 to 53,986 head in January-September 1976.

Despite the decline in Maquila shipments, U.S. imports of beef from Mexico gained by about 69 percent during the first 9 months of 1976. The change came as U.S. prices for boneless beef rose enough to attract beef derived from Mexican production, in contrast to the depressed U.S. prices and reduced Mexican exports of the previous year.

Mexican beef and veal exports to the United States during the last part of 1976 may also be encouraged by the Mexican Government's 40 percent devaluation of the peso on August 31 and a further 10 percent devaluation in October. These devaluations have been offset somewhat, but not entirely, by the Government's attempt to stem excessive product outflow by imposing a tax on exports of domestic products. This tax for beef and veal was first set at 20 percent, but later the tax was reduced to only 5 percent.

Meanwhile, Mexican regulations have created some difficulties for U.S. breeding cattle sales to Mexico, which between 1970 and 1975 had increased sharply from 8,275 head to 37,204.

THE REGULATIONS, introduced in August 1975, require that Mexican breeding cattle buyers seeking import licenses meet the following conditions:

- Either belong to the corresponding breed and cattle associations in Mexico or have taken steps to join;
- Present a letter from the breed association indicating that animals of the quality and price being imported are not available in Mexico.

Since February of this year, there have been reports of the regulations impeding U.S. exports of certain breeds such as Charolais, Hereford, Charbray, and Brangus, owing to difficulties in obtaining import licenses. And U.S. exports of beef bulls in the first 9 months of 1976 dropped to 1,214 head from 3,080 in the same period of last year.

# U.S. Still Major Supplier Of Taiwan's Grain Imports

THE REPUBLIC OF China (Taiwan), a minor producer of wheat and feedgrains and long-time good U.S. customer, purchased a record 1.2 million metric tons of these grains from the United States in the marketing year that ended June 30, 1976.

In 1975/76, the United States provided 20 percent of Taiwan's barley and sorghum and 36 percent of its corn, setting a new record for U.S. corn shipments to the Republic.

This gave the United States a 44 percent share of the total grain market, up 6 percent over 1974/75's; 33 percent of the feedgrain market, up 20 percent; and 86 percent of wheat imports, the same as in 1974/75.

In 1975/76, Taiwan's total imports of feedgrains—at 2.1 million tons—reached a record level and the outlook is for continued expansion of these imports in the years ahead, since it is unlikely that domestic production—except of rice—will be able to meet more than a portion of the country's burgeoning demand for grain. Wheat imports in 1975/76, although down slightly from the previous year's level, have stabilized at about 500,000 tons as domestic rice production has come closer to meeting consumption requirements.

**Production.** Wheat production in Taiwan in calendar 1975 is reported at just 3,042 metric tons, up considerably from the 1974 output of 738 metric tons, but is still negligible when compared with the total demand.

Corn production in 1975 is estimated at 137,880 tons, grown on a harvested area of 49,717 hectares. This represents a rise of 29 percent in output and 28 percent in area over the previous year's totals. The 1976 corn crop is expected to be slightly larger than last year's and the production target for 1978 even higher—380,000 tons from a targeted planted area of 66,000 hectares.

Taiwan's rice production in calendar 1975 is officially estimated at 2.49 million tons of brown rice (2.24 million tons, milled basis), 1.7 percent above the previous year's outturn. Production fell to about 11 percent below the 1975 target of 2.7 million tons. Still the crop was the largest since 1968 when 2.5 million tons were produced.

The first rice crop in 1976 is preliminarily estimated at 1.35 million tons of brown rice from a harvested area of 361,600 hectares. If confirmed, this will be the highest rice production and acreage for a first rice crop in Taiwan's history.

The official production target for the second crop is currently set at 1.32 million tons, to be harvested from an estimated area of 429,300 hectares. However, the total calendar 1976 rice outturn is estimated at 2.59 million tons of brown rice (2.33 million tons, milled), slightly below the targeted level.

Taiwan's output of pulses in 1975 fell slightly below the previous year's, standing at only 25,480 tons. However, production of Azuki (Red) beans—an important export item—is expected to exceed 10,000 tons in 1976, compared with 8,137 tons in 1975. Total pulse production this year is about 10 percent larger than 1974's.

**Trade.** The Republic's wheat imports in 1974/75 were officially reported at 626,000 tons. Imports in 1975/76 were an estimated 550,000 tons, approximately 12 percent below the previous year's level. Exports from the United States amounted to 475,000 tons; Australia supplied the balance. Wheat imports in 1976/77 are expected to be about the same volume as the previous year's.

Corn imports in 1975/76 are estimated at a record 1.65 million tons, far exceeding the previous record of 1.36 million tons imported in 1972/73. The United States was the largest supplier of Taiwan's 1975/76 corn imports, providing an estimated 600,000 metric tons. Other major corn suppliers were South Africa, Indonesia, and Thailand.

Under a 3-year pact signed in January 1973, South Africa agreed to provide Taiwan with more than 500,000 tons of corn in 1975/76. Another 3-year pact was signed with South Africa in September 1975, calling for a total of 1.35 million tons of corn to be supplied in three equal annual shipments. However, soon after the agreement was signed, South Africa notified the Taiwanese importers that it was able to supply only 330,000 tons instead of the 450,000 tons contracted for because the crop had suffered heavy rain damage.

The Republic also signed a corn trade agreement with Thailand in December 1975 after a 6-month delay resulting from cessation of diplomatic relations between the two countries. The agreement provides for imports of 210,000 tons of Thai corn, far below the approximately 400,000 tons normally imported annually from Thailand. A second new purchasing agreement signed in July 1976 provided for purchase of 450,000 tons of Thai corn in 1976/77.

A new U.S.-Taiwanese 5-year grain supply agreement, signed in March 1976, provides for shipments of 500,000 tons of wheat, 450,000 tons of corn, and 200,000 tons of barley during 1976/77.

In November 1976, Taiwan also pledged to import sorghum, wheat, corn, and soybeans from Uruguay. Taiwan also has made recent purchases of wheat from Canada, and has agreed to buy wheat from Australia and corn from South Africa.

In calendar 1975, Taiwan made a test shipment of 10 metric tons of rice to Hong Kong and imported 18,000 tons, mostly from Thailand. The imports were of glutinous rice for processing into puffed rice cake.

In 1975, the Republic liberalized somewhat export controls on rice products, mainly puffed rice cake that usually goes to Japan. No sizable exports of rice are expected in 1976 and, although imports of glutinous rice for processing may continue on a limited basis, it is expected their size will be smaller than those made in 1975 because of increased domestic stocks.

TAIWAN'S MPORTS of pulses from the United States in 1975 reportedly were 6,046 tons, compared with imports of only 2,712 tons in 1974. Exports of Azuki beans to Japan increased dramatically in 1976. In the January-May 1976 period, their estimated volume amounted to 5,000 tons and it is expected that total exports for the year will exceed 8,000 tons.

Taiwan's imports of U.S. pulses are expected to rise in 1976. Imports in the first 4 months of this year exceeded 5,000 tons, according to Taiwanese customs data.

—Based on report from
*Office of U.S. Agricultural Attaché*
***Taipei***

# U.S. Food Trade Policy And the Developing Nations

By DON PAARLBERG
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THE ECONOMIC growth of developing nations is important to the United States. As their economies grow, these nations become bigger trading partners, buying the agricultural and industrial goods in which the United States has a comparative advantage and, in turn, selling to the United States the agricultural and manufactured goods that they are best at producing.

Collectively, the developing countries already represent a significant commercial outlet for U.S. farm exports, accounting for 33 percent of the calendar 1975 total of $21.9 billion. These markets will grow in importance as their foreign exchange earnings rise and economic development accelerates.

The United States—as the world's largest exporter of farm products—also has a common interest with developing countries in reducing barriers to agricultural trade, for both are dependent on exports of unprocessed commodities for balance of trade earnings.

In the Tokyo Round of multilateral trade negotiations now underway in Geneva, the United States supports efforts by the Tropical Products Group to secure for the developing countries trade benefits on products of special interest to them.

The United States has offered to reduce barriers to the importation of almost 150 tropical products from about 46 developing nations by extending most-favored-nation (MFN) concessions to them. U.S. imports of these products are valued at approximately $1 billion annually.

Also, in March, the United States proposed a general tariff reduction formula that seeks to concentrate duty reductions in areas where most developed countries' tariffs and trade are found and to provide more secure and favorable access for developing countries. The U.S. tariff reduction proposal would provide procedures for identifying specific tariff problems of developing countries and would decrease the present levels of tariff escalation.

Despite problems, significant achievements appear likely in some areas of the Tokyo Round of negotiations, such as tropical products. The United States supports special efforts to give developing countries access to developed country markets for tropical products and believes such arrangements will benefit both. This country recognizes that it is not appropriate to insist that developing countries assume the same responsibilities as countries with a relatively high degree of economic development. However, it does expect some reciprocal trade commitments appropriate to a nation's stage of development and to a sharing of the responsibility for the effective working of the global system.

The United States is, in fact, seeking reciprocal contributions from the developing countries before implementing its March 1 tropical products offer on most-favored-nation tariff concessions. The general position of the developing countries is that reciprocal contributions are not possible until the end of the negotiations, when the additional benefits to their trade can be assessed. Therefore, bilateral consultations are currently being held by the United States and the developing countries.

The United States has already put into effect its new Generalized System of Preferences (GSP), implemented in January 1976 to help developing countries increase their export earnings and diversify their economies. Approximately 130 countries and territories were designated as beneficiaries of these tariff preferences. Under the system, duty-free status was granted for approximately 300 agricultural commodities, whose import value totaled $3.5 billion in 1974. The United States hopes this system will offer potential new trade opportunities to the developing countries.

In addition to the GATT, there is a second major forum where the developing countries have sought to discuss world trade mechanisms. At the May 1976, United Nations Conference on Trade and Development (UNCTAD) meeting in Nairobi, Kenya, the developing countries called for an Integrated Commodity Program, providing for discussions on 18 specified commodities with the ultimate objective of negotiating international commodity agreements. (Food commodities include meat, vegetable oils and oilseeds, bananas, sugar, coffee, tea, and cocoa; agricultural industrial products are cotton, hard fibers, jute, rubber, and tropical timber.)

According to the proposal, these agreements would include buffer stocks where possible, financed by a common fund covering all commodities involved in the buffer stock scheme. Other measures and techniques that might be employed under the Integrated Commodities Program include export quotas, improved market information, increased compensatory financing for short-term foreign exchange shortfalls, improved market access for developing country exports to developed countries, and efforts to improve developing countries' facilities for processing primary commodities. (See the September 6, 1976, issue of *Foreign Agriculture*.)

There have already been attempts at commodity agreements of various kinds for tin, coffee, cocoa, sugar, and wheat. The tin and coffee agreements have succeeded in protecting floor prices but have not prevented excessively high prices. The other existing commodity agreements on sugar and wheat have no price provisions.

The United States is sympathetic to the developing countries' problems and is open to consideration of certain commodity agreements on a very selective basis, as indicated by U.S. membership in the International Coffee Agreement and the International Tin Agreement.

THE UNITED STATES will participate in preliminary conferences aimed at examining the problems in world trade facing the products suggested for negotiation of international commodity agreements. The United States has no further commitment to the proposed Integrated Commodity Program, however, because many difficult problems remain to be solved. Some of the objections the United States has raised to commodity agreements are:

- Higher prices would stimulate the use of substitutes and reduced consumption, and many of the commodities proposed by UNCTAD already have serious competition from substitutes.

• The cost of financing buffer stocks from a common fund would be substantial. UNCTAD estimates that only 10 commodities would cost $6 billion a year, and some estimates are as high as $30 billion. Where would such financial resources come from? And is financing a buffer stock the most productive use of those resources for economic development?

• The program should not interfere with adjustment to changing conditions and technology. Many developing countries are in a position to capitalize on their natural resources and low costs of production. For this, maximum flexibility in adjusting to changing technology and world trade conditions is essential.

• Another great difficulty arises if proposed agreements call for establishing minimum and maximum prices to govern the acquisition and release of buffer stocks. To be economically sound, the target price should reflect the long-run supply-demand equilibrium prices. If the price is set too low, production will be insufficient to meet demand; if the price is set too high, surpluses will grow, and the incentive to develop substitutes for the commodities will be strong. In the long run, higher prices may reduce demand for a commodity, and perhaps total revenues from its trade.

• Commodity agreements may require production and export controls and quotas to be effective in maintaining prices, particularly if price supports are put into effect. International controls and quotas have historically been difficult to agree on, maintain, and police.

Several plausible alteratives for dealing with the problems of the developing countries have been suggested. But some of these alternatives have been overshadowed by the commodity agreement and buffer stocks proposals, which may indeed be the least effective and most expensive method of solving the developing countries' foreign exchange and development problems.

The United States has pressed for improved and enlarged compensatory financing facilities through the International Monetary Fund and other channels to help avoid large, short-term reductions in the developing countries' foreign exchange earnings.

The developing countries also need assistance in adjusting to changing economic conditions and competition from synthetics and other products, in applying advanced technology to production and transport, and in diversifying into production of new products with elastic and expanding demand. Increased commodity processing capacities in the developing countries is essential for raising the returns from their primary commodity production. At the Nairobi meeting, the United States proposed an International Resources Bank to assist the developing countries in increasing their production of primary commodities.

Buffer stocks and commodity agreements may have a place in world trade for some commodities. But the emphasis in the developing countries should be on adjusting to new trends, diversification, and improving efficiency of resource use, for both physical and financial resources. These in fact are often basic characteristics of the most dynamic economies in both the developed and developing world.

The United States appreciates the problems faced by developing countries and represented in the UNCTAD proposals. However, technical assistance and other aid may be a more efficient way to transfer resources without disturbing market or price relationships. In fiscal 1976, the United States gave over $5.5 billion in foreign assistance to the developing countries. Of this, nearly $3.8 billion was bilateral assistance through the Agency for International Development and other U.S. agencies and over $1.7 billion was multilateral assistance through the United Nations and related agencies, development banks, and other international organizations.

## Hail Hurts Spain's Orange, Lemon Crops

Spain's first estimate of its 1976/77 citrus crop is a disappointing 10 percent below last year's level, the result of hail that cut output—particularly of sweet oranges and lemons—and reduced citrus export quality.

The citrus crop is currently placed at 2.6 million metric tons, compared with 2.89 million tons in 1975/76. Oranges and lemons will suffer the largest declines to 1.7 million tons and 217,000 tons, respectively, from 2.0 million and 296,000 tons, respectively, in 1975/76.

Other citrus crops—tangerines and grapefruit—are expected to increase 5 percent and 3 percent in the coming year to 662,000 tons and 7,200 tons, respectively.

Reflecting lower production, citrus exports will also be somewhat less—1.4 million tons, down 12 percent from exports last year. The European Community countries are expected to absorb the bulk of Spain's shipments of 800,000 tons oranges, 510,000 tons tangerines, 110,000 tons lemons, and 2,500 tons grapefruit.

Exports of Spanish citrus in 1975/76 totaled 1.6 million tons, with the bulk of exports being oranges (961,000 tons), tangerines (493,000 tons), and lemons (156,000 tons). Grapefruit exports, accounting for almost a third of production, totaled 2,250 tons. Top export markets were West Germany, the United Kingdom, and France.

Exports at the beginning of the 1975/76 season were rather slow, owing to delayed ripening of fruit, lack of color, and a low sugar content. The voluntary regulation of exports, along with the application of techniques for retarding maturity, resulted in a very positive export season for both growers and exporters.

In other industry developments, trade sources indicate that prices of citrus for processing are expected to be 15 to 20 percent higher in 1976/77 as a result of higher harvesting, transporting, and packing costs. Government subsidization of fruit purchases is expected to partially offset this increase in fresh fruit prices.

The sharp rise in the cost of inputs and fresh fruit probably will force new pack prices up as well.

According to reports by Spain's Fruit and Vegetable Syndicate and trade sources, Spain is believed to have processed an estimated 311,000 tons of citrus in 1975/76—203,000 tons oranges, 85,000 tons tangerines, 20,000 tons lemons, and 2,500 tons grapefruit.

Total processed citrus output in 1975/76 is estimated at 45,000 tons of fruit juices, 47,000 tons of citrus fruit sections, and 155 tons of essential oils.

# Argentina's Wheat Crop and Exports Near Record Levels

ARGENTINA'S TOTAL grain crop will reach a new high in 1976/77, aided by record wheat and sorghum crops. Exports of wheat will approach a new peak, but corn exports will be smaller than those of the previous 3 years.

Argentine grain exporters will benefit from the Government's suspension of the 10 percent export tax on wheat. The Government had already removed the exchange rate restrictions on wheat exports. Then on November 25 it devalued the peso by 5 percent. These actions have improved Argentina's position on the world wheat market, where prices have declined substantially during the past few months.

Argentine prices following the devaluation were reported to be around $88, f.o.b., compared with the U.S. price for Hard Red Winter Ordinary wheat, f.o.b. the gulf, of around $100 per ton.

Argentina's 1976/77 planted wheat area has fallen a million hectares short of the Government's announced target of 8 million hectares, but harvested wheat hectarage will be greater than that of 1975/76. Wheat yields will be second only to the 1964/65 record. Corn production will likely be greater than last year's but lower than estimated earlier. Outturn of most other grains is expected to be higher than the previous year's level.

Total grain production this season will probably reach 26.3 million metric tons, up from 21 million tons in 1975/76. Total harvested grain area is some 13.1 million hectares, compared with 11.2 million in 1975/76.

Assuming normal abandonment and slightly higher yields because of further introduction of Mexican wheat varieties, the 1976/77 wheat crop will reach 11.5 million tons, 34 percent greater than the 8.6 million tons of 1975/76, and 2 percent above the previous record of 11.3 million tons in 1964/65. The 1976/77 corn crop is expected to be around 7 million tons and the sorghum crop, 6 million tons.

Wheat sowing in 1976/77 on the 7 million hectares—an area 32 percent greater than in 1975/76—was started under ideal conditions, but dryness in June and early July halted field work and the dry spell intensified to near drought in some areas. Rains came in late July and planting was resumed. Moisture has been abundant in most of the main producing zones and the outlook has improved somewhat. The dry weather caused some losses in the northern and northwestern regions, but in any event these are always marginal grain-growing areas so that the reductions had minimal effect on total production.

Trade sources believe that around 30-40 percent of this year's wheat plantings may be of the Mexican types, compared with about 20 percent last year. Farmers like their higher yields and shorter growing season, although the grain generally has a lower protein level than traditional wheats. Many farmers will follow the wheat harvest with plantings of either soybeans or sunflowerseed. Also, their short-season aspect makes the Mexican wheats mesh in well with cattle raising operations because they can be followed with a summer pasture crop after the wheat harvest.

No significant changes are expected either in plantings or production of principal winter grain crops—barley, oats, and rye. Some general increase may result in the percentage harvested for grain, but the total will depend on market prices at the time of harvest.

The general trade consensus at the beginning of the corn season in August was that plantings might be held down because some corn land had passed into wheat for double cropping with soybeans, and some other areas were being held for sunflowerseed. Also, farmers reportedly were discouraged with corn production following two poor seasons. However, although the corn harvest is still several months away, the 1976/77 estimated production of 8 million tons is 19 percent higher than the 5.9 million tons of 1975/76.

According to grain dealers, farmers are showing strong interest in grain sorghum production. This crop is extremely adaptable to the country's climate and is complementary to cattle raising. Interest in sorghum has caused production to rise steadily in each year of the past several years. The 1976/77 crop of 6 million tons demonstrates this steady climb. It is just slightly over the 1973/74 output of 5.9 million tons, but well over the 4.8- and 5.1-million-ton outputs of the past 2 years.

Wheat exports during the 1975/76 marketing year (December-November) should be about 3.5 million tons, the highest level since 1965/66. The Argentine Grain Board bought slightly over 7 million tons of wheat from the 1975/76 crop. This means the 3.5 million tons likely sold to domestic millers leaves around 3.5 million tons still available for export. According to trade sources, the Board had export commitments for around 3.2 milion tons as of late July.

Recent sales by Argentina include 100,000 tons of wheat and 10,000 tons of wheat flour to Paraguay, 200,000 tons of wheat to Morocco, 20,000 tons of wheat to Norway, 40,000 tons to Brazil, 35,000 to Peru, 60,000 tons to Tunisa, and possibly 500,000 tons annually for the next 3 years to Chile.

If wheat production reaches the 11.5 million tons estimated for 1976/77, the exportable wheat surplus in 1977 could be around 6 million tons. Whether that amount can be marketed and exported smoothly is open to conjecture.

The country's internal marketing system lacks country and terminal elevators. And because port elevators are called on to make up for the shortage of terminal elevators, the port area becomes congested with trucks bringing in grain from the countryside, and ships from overseas.

EVEN MEDIUM-SIZED vessels loading upriver from Buenos Aires must compete for space at the port where there is only one main elevator. A new, 9-meter-deep channel has been dredged at Santa Fe, but the installation has not yet been completed. The total monthly capacity of the Argentine ports is over 1 million tons but less than 1.5 million.

Argentina's grain storage capacity is to be expanded and modernized in the near future with funds from a $60-million Inter-American Bank Loan.

The loan will be used by the National Bank of Argentina (BNA) to extend credits to farmers, cooperatives, and private companies cultivating or marketing grains. They will be used to finance construction of additional storage for 2 million tons of grain. Under the program, the BNA is expected to approve some 1,400 loans to farmers and others. Of this total, some 800 loans will be used to build new storage facilities, and 600 will be used to expand or improve existing facilities.

The exportable surplus from the most recent corn crop is around 2.5 million tons, versus actual exports of 3.5 million the previous season (April 1975-March 1976). Exports for the April-June 1976 period were just short of 1 million tons. They totaled 1.9 million in the same period of 1975. The Grain Board bought about 3.8 million tons from the recent corn crop prior to trade being returned to the free market on July 5.

The Board had corn export commitments of nearly 2.5 million tons in late July 1976, indicating that Argentina had sold most of its corn, and this "shortage" was probably one of the reasons behind the return of the corn trade to free traders after an extended period when sales were made by the Grain Board. The balance of about 1.3 million tons has been or will be sold to domestic feed compounders at subsidized prices, although a small amount still may be available for exports.

With the 1976/77 corn crop estimated at 7 million tons, the exportable surplus could be some 2.5 million tons.

The exportable surplus of the grain sorghum crop is some 3 million tons, compared with exports of 2.4 million tons between April 1975 and March 1976. Exports have been 964,000 tons for the April-June period versus 716,700 tons for April 1974-March 1975.

The Grain Board purchased 2.6 million tons from the recent crop and had export commitments of around 2 million tons when sorghum marketing was returned to the private sector in late May. Since then private exporters and cooperatives have committed at least an additional 500,000 tons for export and there are still stocks in storage on farms.

If the exportable grain sorghum surplus of 3 million tons is all exported, it may be the first year that grain sorghum exports exceeded those of corn.

—Based on report from
*Office of U.S. Agricultural Attaché*
*Montevideo*

# Soviet Bumper Grain Crop Near 1973 Record Level

By FLETCHER POPE, JR.
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*Economic Research Service*

THE SOVIET UNION has harvested a bumper grain crop in 1976 that is approaching the 1973 record of 222.5 million metric tons.

However, the 1976 crop has an excessive moisture and trash content estimated to be considerably higher than average. Thus, much of the 1976 grain crop is believed to be of below-average quality because of frequent rains and harvesting difficulties.

Despite these problems, the Soviet grain harvest is sufficient to meet domestic requirements, permit resumption of grain exports, and enable the Soviets to rebuild significantly their badly depleted carryover stocks of grain.

The 1976 crop was reaped from an area estimated to be more than 1 million hectares larger than in any recent year.

The area that the Soviets plan to seed to winter grains this fall—for harvest in 1977—is 41 million hectares, an increase of 5 million over 1976 fall sowings. The planned increase is based on favorable conditions resulting from good soil moisture reserves. The RSFSR (Russian Federation) is to account for 2.3 million hectares of the increase, the Ukraine for over a million, and Kazakhstan for about 600,000 hectares.

Winter grains reportedly have gotten off to a good start. However, with the increase in winter grain areas, it is quite probable that a significant amount of the expansion was in high-risk areas—that is, in areas in which severe cold is likely to result in significant winterkill.

Weather during the 1976 growing season was generally wet and cool and so was favorable for development of the grain. Precipitation over most of European USSR was about a fifth higher than normal during the spring and increased to roughly 50 percent above normal during the summer months. Good moisture conditions even extended through the southeastern part of European USSR, which is generally a marginal moisture area. However, in the Asiatic part of the USSR, rainfall was only about two-thirds of normal in early spring but averaged roughly 25 percent above normal during the critical period from spring seeding in late May to the beginning of harvesting in late August.

The cool temperatures during the 1976 growing season caused concern about delayed development of late-maturing crops, including corn for grain. Temperatures averaged about 2° C below normal in European USSR during the 4-months period, May-August 1976. On the other hand, temperatures during the growing season in Asiatic USSR averaged somewhat above normal, except in July and September.

Nevertheless, the Soviet agricultural newspaper, *Selskaya Zhizn*, reported on October 7 that the corn was ripe in most of the Ukraine, the North Caucasus, and Moldavia—administrative subdivisions that account for about 85 percent of the total corn-for-grain area in the USSR.

The cool, rainy weather steadily increased soil moisture supplies as the growing season progressed. In European USSR, moisture supplies increased from about normal in April to more than double usual amounts by September. In the Asiatic part of the USSR, after some decline in the spring months to a level somewhat lower than normal, soil moisture supplies improved and averaged somewhat higher than normal during the remainder of the growing season.

The 1976 Soviet grain area was the largest since 1964 and probably was at least a million hectares greater than the 128 million occupied by grain in 1975—the previous recent high. At the end of June 1976, a total of 131 million hectares reportedly was occupied by crops intended to be harvested as grain, the same level as a year earlier. These preliminary area figures change from year to year, depending on the extent to which such land is diverted to uses other than growing grain for food—that is, grain crops primarily harvested in dry years for forage.

For example, the difference between the preliminary and final grain area figures in 1973—a good crop year—was only 1.2 million hectares, while in 1975—a year of extreme drought—the difference was 3.1 million hectares. Thus, it is estimated that in 1976—another relatively good crop year—the reduction from the preliminary figure will be

*Continued on page 16*

# World Oil and Fat Output Downshift Expected in '77

By ALAN E. HOLZ
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*Foreign Agricultural Service*

WORLD PRODUCTION of oils[1] and fats will sag somewhat in 1977, but exports should rise, continuing above the long-term trend and drawing down stocks in major producer-exporter countries.

Although world output of oils and fats (including the oil equivalent of oilseeds, vegetable, animal, and marine oils) trended up by about 1.2 million metric tons annually during 1965-75, global output during calendar 1977 is likely to be down by about 540,000 tons, reflecting a 1.1-million-ton reduction in U.S. production and a below-trend increase of only 580,000 tons in the foreign sector.

World output of oils and fats in 1977 thus is forecast at only 48.2 million tons—130,000 tons below the October estimate and 540,000 tons below the revised 1976 estimate. As a result, stock drawdowns in the principal producer-exporter countries can be expected.

However, oil supplies should be adequate for expanding domestic and export needs—a reflection of large October 1, 1976, U.S. oil stocks of 2.3 million tons (including soybeans as oil), which are 750,000 tons above the year-earlier level. In 1976, world oil production at 48.7 million tons was nearly 1 million tons above trend.

Some key points:

- About 550,000 tons—95 percent—of the expected increase in foreign oil and fat output will be from 1977 Southern Hemisphere soybean and sunflower crops that have not yet been harvested and therefore cannot be assessed accurately. Availabilities from these harvests will not begin moving into consumption before April 1977.
- Although a substantial decline in U.S. production is imminent, U.S. exports are expected to remain about unchanged from the expanded 1976 volume. This will require an 870,000-ton drawdown in stocks to 1.4 million tons—the smallest volume since 1973.
- Olive oil output from the fat-deficit Mediterranean Basin countries in 1977 will experience a cyclical decline that will result in a drawdown in stocks and increased import requirements.

U.S. oils and fats production in 1977 is forecast at 10.4 million tons—1.1 million tons below the increased 1976 volume.

The drop reflects reduced 1976 soybean, sunflower, and flaxseed harvests, partly offset by increased output of cottonseed oil and animal fats. The expected decline in 1977 output will place production nearly 1.4 million tons below trend, compared with the slightly above-trend 1976 volume.

The below-trend recovery in animal fat production is a key factor. U.S. oil output in 1977 is estimated to account for 21.7 percent of world output, compared with 23.7 percent in 1976.

Taking into account the sharp gain in U.S. oil stocks in October 1976 to 2.3 million tons (oil basis) including the oil fraction of soybeans, the 1977 U.S. oils supply would total 12.7 million tons—only 370,000 tons below 1975's volume but nearly 1 million tons above the 11.7-million-ton volume of 2 years ago, when oil prices were sharply advancing. Oil supplies during 1977, although somewhat reduced, will be far above minimum levels.

Foreign oils and fats production during 1977 is projected at 37.7 million tons—580,000 tons above estimated 1976 volume. The expected gain is only 60 percent of the annual 970,000-ton increase and signals a slump in growth from the rate of the 3 previous years, when foreign oil output gains were sharply above trend.

The largest part of the foreign output expansion is expected to be from Asian palm oil and South American soybean oil. Most of the expected gain in output is expected to be available for export.

Resurgence in palm oil output growth reflects improvement in Malaysian rainfall during recent months, which is expected to result in a significant improvement in yields early in 1977. This gain would represent a reversal from 1976's dip in yields, now running more than a sixth below trend.

West Malaysian palm oil production in 1976 is estimated at 1.25 million tons—60,000 less than previously forecast and only 115,000 tons above the 1975 volume. However, if yields resume their past trend and next year's bearing tree

FATS AND OILS,[1] WORLD PRODUCTION AND EXPORTS, 1974-77
*[In 1,000 metric tons]*

| Commodity | Production | | | | Exports | | | |
|---|---|---|---|---|---|---|---|---|
| | 1974 | 1975 | 1976 | 1977 | 1974 | 1975 | 1976 | 1977 |
| Soybean | 9,381 | 8,313 | 10,125 | 9,205 | 3,798 | 3,535 | 4,485 | 4,675 |
| Sunflower | 4,509 | 3,980 | 3,600 | 3,772 | 866 | 705 | 615 | 650 |
| Rapeseed | 2,410 | 2,609 | 2,677 | 2,512 | 708 | 615 | 40 | 760 |
| Palm | 2,627 | 2,942 | 3,151 | 3,565 | 1,452 | 1,773 | 2,005 | 2,340 |
| Fish | 996 | 972 | 860 | 900 | 493 | 540 | 455 | 480 |
| Peanut | 3,064 | 3,057 | 3,557 | 3,635 | 700 | 705 | 930 | 920 |
| Lard | 4,534 | 4,424 | 4,250 | 4,400 | 505 | 516 | 475 | 525 |
| Laurics[2] | 2,831 | 3,485 | 3,716 | 3,558 | 1,358 | 1,914 | 2,134 | 1,975 |
| Cotton | 3,151 | 3,294 | 2,808 | 3,039 | 397 | 415 | 335 | 380 |
| Other edible[3] | 7,246 | 7,124 | 7,669 | 7,286 | 1,067 | 1,018 | 1,060 | 1,072 |
| Tallow and greases | 4,955 | 4,599 | 4,800 | 4,850 | 1,644 | 1,437 | 1,500 | 1,550 |
| Other inedible[4] | 1,661 | 1,443 | 1,515 | 1,464 | 605 | 504 | 561 | 661 |
| Total | 47,365 | 46,242 | 48,728 | 48,186 | 13,593 | 13,677 | 15,295 | 15,988 |
| U.S. | 12,342 | 10,138 | 11,572 | 10,454 | 5,148 | 4,194 | 4,915 | 4,945 |
| Foreign | 35,023 | 36,104 | 37,156 | 37,732 | 8,445 | 9,483 | 10,380 | 11,043 |

[1] Includes the oil equivalent of oilseeds, animal fats, and marine oils. Production estimates are based on assumed extraction rates applied to that portion of each crop available for crushing and/or export and not actual crushings. [2] Includes coconut oil, palm kernel, and babassu oils. [3] Includes sesame, safflower, corn, olive, butter, and whale oils. [4] Includes linseed, castor, oiticica, tung, olive residue, and sperm oils.

**Based on presentation to USDA Outlook Conference, Washington, D.C., Nov. 17, 1976.**

**[1] Oil production estimates are based on assumed extraction rates applied to that portion of each crop available for crushing and/or export and not actual crushings.**

numbers expand by about 16 percent, output could increase sharply to about 1.56 million tons or 300,000 tons above the 1976 estimate. Such an increase would come largely in the second half of 1977.

In contrast, coconut oil output in the Philippines—which reached a new record in 1976—is expected to peak out soon because of the lagged response of less favorable rainfall. Although tree numbers are expected to continue an upward trend, yields per tree would be expected to decline in second-half 1977 relative to the same months of 1976.

Any change in 1977 output is likely to show up as a change in exportable supplies, which could influence U.S. imports during 1977. The United States is a major coconut oil importer, taking about 566,000 tons in the 12 months ending September 30, 1976, compared with only 305,000 tons in 1974/75.

World exports of oils and fats in 1977 are projected at about 16 million tons—690,000 tons above the 1976 volume. If attained, exports would be 1.1 million tons above the long-term trend. This would be an extension of last year's above-trend volume and in sharp contrast to the below-trend world trade volumes of 1974 and 1975.

About 525,000 tons—76 percent—of 1977's expected gain in world exports would be from soybean and palm oils. Although exports of these oils are growing as a proportion of world oil exports, the indicated export growth for these oils is significantly below the 770,000-ton and 1.2-million-ton gains of 1974 and 1975, respectively, in world exports of the same oils.

Since the unexported residuals for these oils indicate declines, stocks of these oils may be reduced in some of the major producer-exporter countries. The bulk of the anticipated reduction in stocks would be as soybeans and soybean oil in the United States.

U.S. exports of oils and fats during 1977 are forecast at nearly 5 million tons. This level of shipments assumes virtually no change, following 1976's 730,000-ton recovery.

Although it may be surprising to see U.S. oils and fats exports projected at a volume 380,000 tons below the long-term trend in the same year that world exports are indicated to be sharply above trend, this divergence would be largely the result of heavy competition from foreign palm and soybean oils.

Thus, U.S. oils and fats exports during 1977 are expected to account for less than 5 percent of world export expansion, compared with nearly 50 percent of the total growth during 1965-75.

Why are world oils and fats exports expected to continue above trend in 1977, following the sharp gain in 1976? Continued strength in oil demand is based on a number of factors:

- Increased purchases of soybeans by the Soviet Union.
- Reported reemergence of the People's Republic of China as a net importer of soybean oil.
- Poor fish oil yields in Peru, which could lead to substantial imports of soybean oil.
- Reduced olive oil production in major fat-deficit countries.
- Relatively low prices, which have gradually strengthened in recent months, could—if this trend continues—stimulate stock accumulation in major importing countries.
- Increased oil demand in certain petroleum-producing countries.
- Prospects for improved economic activity, higher real incomes, and larger

## Factors in 1977 Forecast

- The 1976 U.S. soybean harves of 1.25 billion bushels (5.6 million tons, oil basis) is down 18 percent or 1.2 million tons from 1975's large volume.
- The 1977 Brazilian soybean crop —forecast at 13.2 million tons—is up 17 percent to 2.2 million tons (oil basis), 310,000 tons above the 1976 level.
- The 1977 Argentine soybean harvest of 1.2 million tons—nearly double the 1976 estimate—is 80,000 tons (oil basis) greater than the 1976 volume.
- Palm oil production during 1977 in the five major producer-exporter countries (West Malaysia, Sabah, Indonesia, Ivory Coast, and Zaire) is forecast at 2.6 million tons—up 17 percent or 380,000 tons from the 1976 volume. More than four-fifths of this gain is expected to move into export.
- World coconut oil output during 1977 at 2.9 million tons is expected to register a 200,000-ton decline—mostly in the Philippines—following 1976's sharp rise. Virtually all of the indicated decline is expected to be reflected in reduced exports.
- Canada's 1976 rapeseed harvest totaled only 900,000 tons—down nearly half or 300,000 tons (oil basis) from the previous year's volume.
- The USSR's 1976 sunflowerseed harvest is believed to total not more than 5.5 million tons (2.1 million tons, oil basis) or about 190,000 tons above 1975's reduced volume.
- The 1976 U.S. cottonseed crop totaled 3.5 million tons, up about 90,000 tons (oil basis) from the reduced 1975 level.
- Animal fat output in 1977 at 13.8 million tons would be about 200,000 tons above the 1976 estimate but 350,000 tons below the projected trend for lard, tallow, and grease combined.

## Shifts in 1977

- Likely accelerated increases in competition from Malaysian palm oil and Brazilian soybean oil.
- Soybean oil prices possibly becoming intermittently more expensive in relation to soybean meal.
- Downward pressure on foreign crushing margins caused by increased crushing capacity in Brazil and Europe.
- Palm oil cheapening in relation to soybean oil, which might result in further gains in U.S. imports unless foreign demand shows a higher preference for this oil than in the past.
- Significant reduction in stocks, largely as soybeans and soybean oil in the United States.
- No expansion in combined U.S. exports (oil basis), resulting in a smaller-than-normal share of the world total.
- Possible reduction in U.S. oil disappearance, following some rebuilding of hidden stocks.
- A significant gain in U.S. soybean plantings in 1977 if the soy/corn price ratio relationship continued strong.

personal consumption expenditures for food.

In spite of the large domestic oil stocks, oil prices have strengthened somewhat in recent months. This situation could continue as the rate of crush slows in order to adjust for the shortfall in U.S. soybean production.

Although the recent narrow price spread for palm oil under soybean oil might suggest that the past season's upward trend in U.S. imports may be reversed, the increased pressure of expanding palm oil supplies could cause palm oil prices to weaken relative to soybean oil.

If this occurs, U.S. imports of palm oil would continue to expand in 1977, but the amount of the gain could be offset to some extent by reduced imports of coconut oil.

During the 12 months ending September 30, 1976, U.S. imports of palm oil at 423,000 tons accounted for 22 percent of world palm oil exports from the five major exporting countries, compared with 21 percent in 1974/75 and 13 percent in 1973/74.

The combined volume of U.S. imports of palm and coconut oils in the year ending September 30, 1976, totaled nearly 988,000 tons (oil basis)—52 percent above the previous season's level.

APPARENT foreign consumption of oils and fats in 1976 is estimated at 41.2 million tons or 1.71 tons above the 1975 level and 670,000 tons above the projected 1965-75 trend. Recognizing that a sizable share of the above-trend gain in foreign oil production was probably used to build stocks, actual foreign oil consumption during 1976 probably was at or near the projected trend volume of 40.6 million tons.

In 1977, assuming that foreign consumption availabilities are about on trend, U.S. net exports should approximate 4 million tons—about unchanged from the estimated 1976 level. Thus the bulk of the growth in foreign oil consumption is expected to be from the projected 580,000-ton gain in foreign production.

Although the indicated 550,000-ton gain in 1977 foreign consumption availabilities falls substantially below the annual trendline increase of 1.1 million tons, it seems reasonable to expect that supplies will be ample to satisfy demand as stocks are drawn down.

# How Guatemala Came To Be A Producer of Kenaf

By WILLIAM C. BOWSER, JR.
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*Foreign Agricultural Service*

ALTHOUGH still centered in Asia—with India, Bangladesh, and Thailand holding two-thirds of all production—jute and kenaf have done some traveling since World War II days, when the United States considered them almost strategic raw materials. As a result, several Western Hemisphere countries now produce these two bast fibers, with Guatemala one such nation. And for Guatemala, there is a special story, interwoven with U.S. efforts to produce kenaf for cordage fiber and, more recently, as an alternative raw material for paper manufacture.

The United States for years has been the world's largest importer of jute and kenaf products, mainly fabrics for a variety of uses. Before the age of plastic and paper substitutes, this country used much jute and kenaf in the packaging and distribution of farm products and for sandbags. So important were the products, in fact, that this country began looking into ways of producing them when World War II cut off sources of supply in Asia.

Thus, research was begun in southern Florida in 1943/44 into the feasibility of producing kenaf—better adapted to U.S. climes than jute—mainly as a cordage fiber. The program included cooperative breeding programs in Cuba and later in Guatemala.

Although the Florida research on kenaf for cordage was terminated in 1965 because of the bleak commercial outlook, one of the persons who had worked under the program—Fred Sherwood—continued to grow kenaf seed on his own in Guatemala. A retired U.S. military officer who has made Guatemala a second home, Mr. Sherwood began growing kenaf seed around 1951 on some acreage near Guatemala's Pacific coast. The area's semitropical climate and over 120 days of growing season with daylight of 12 or more hours, both important factors for kenaf production, helped to make the initial efforts encouraging.

After a number of years, and with the help of USDA fiber specialists, the kenaf varieties know as Guatemala No. 45 and Guatemala No. 51 were developed. These two varieties not only grow well during short days but also grow exceedingly well when planted earlier and can be harvested after even late maturing without the fiber losing its strength and quality. Guatemala 51 is still the principal variety used in Guatemala today.

In 1960, the Guatemalan kenaf bag factory, with Fred Sherwood as manager, was opened and the first Guatemalan kenaf bag was produced. The plant capacity was 2 million bags per year, and the bulk of the kenaf used was imported from India and Thailand.

One of the early problems in producing kenaf domestically was separating the fiber from the stalk. By 1959/60, however, good mechanical decorticators had been perfected and the plant bought some 30 of these units. The use of this equipment by local growers made kenaf a highly profitable crop, and production in Guatemala began to expand. At the present time, some 50 to 100 farmers are producing about 1,100 tons of kenaf on 1,000 hectares.

In Guatemala, kenaf can be planted around May 15, and the farmer is encouraged to plant about 7 hectares per week for about 5 weeks. At that time, he will have about 35 hectares in kenaf, a good sized area for a one-family operation. And the harvesting period is stretched over a long period of time.

ACTUAL cropping usually begins around early September and can stretch into December, depending on growing conditions for the year. Although the plants mature in 90-120 days, when they are 4 meters or more in height, harvesting can be delayed considerably longer without damaging the fiber.

With local improvisions made on the first decorticators brought in from Florida, one decorticator can now han-

*Top: Workers harvesting kenaf near Guatemala's Pacific Coast. Stalks will be decorticated to obtain fibrous ribbon, which will then be transported to a processing plant in Esquintla for final processing. Bottom: Strips of kenaf fiber are placed on spreader as processing begins. Fibers then pass through carding and drawing machinery before being spun into yarn. The Esquintla plant produces all of Guatemala's coffee bag requirements and manufactures coffee bags for Costa Rica and other neighboring countries.*

dle 50 manzanas, or the optimum area for one grower.

After harvesting, the decorticator strips the bark from the kenaf stalk. The dried ribbons, as the fibrous material is called after decorticating, are then baled and trucked to the plant, which is located in Esquintla, about 25 miles south of Guatemala City. The average yield of decorticated fiber ribbon is about 2 tons per hectare, and the average yield in kenaf ribbons is about 3.2 tons per hectare. The grower is paid 9 quetzales ($9) per quintal of ribbon delivered to the plant. At the plant, the ribboned fiber is retted (or rotted) by immersion in large earth water tanks. After retting, the fiber strands can be separated from the fibrous ribbon and dried before processing into yarn and cloth.

The factory has 12 tube weaving circular looms, each capable of producing 45 bags per hour and 26 flat looms producing bagging and hessian or burlap cloth. The plant capacity has grown to 3.4 million bags, practically all for coffee beans. Each bag is 28 x 40 inches, weighs 1.5 pounds, holds 150 pounds of dried coffee beans, and sells for about 76 cents.

Because of competition for land use for sugar and corn, Guatemala still has to import about half of its kenaf, or some 1,000 tons per year, mainly from Thailand. But the company produces 100 percent of Guatemala's coffee bag requirements, saving the country a large amount of foreign exchange. The company also manufactures coffee bags for Costa Rica and other neighboring countries and thus earns some foreign exchange.

With the increasing worldwide demand for pulpwood for paper, many paper companies have become interested in kenaf as a source of pulp that can be cropped annually. Because of Guatemala's success in growing kenaf, a number of major U.S. paper companies have visited the company and the kenaf growing areas on the coast with an eye to the future. Thus, Guatemala, with its proven production capabilities, could some day become a major source of kenaf for paper pulp.

And this may not be too far in the future. The USDA, for instance, has conducted research since 1956 aimed at developing kenaf as a U.S. annual crop to compete with pulpwood as a raw material for paper.

# USSR Egg/Poultry Meat Below Target Levels for 1976

SOVIET PRODUCTION of poultry meat and eggs in 1976 appears to be falling short of both 1975 levels and goals of the new Five-Year Plan.

The decline follows increased slaughtering of poultry last year in the wake of the 1975 shortfall of Soviet grain and feed production.

Feed supplies continued to be tight during the first 6 months of 1976 prior to domestic availability in late summer. Even though the socialized poultry complexes, involved in both egg and broiler output, received the highest priority in the allocation of feed, the planned upward trend in the socialized sector of this industry has been impaired somewhat. Data on 1976 private poultry production are not yet available.

Based on current information, 1976 poultry meat output may drop about 10 percent and will likely approximate the 1974 level of 1.4 million metric tons.

While total poultry production is expected to decline, broiler production—accounting for 12 to 14 percent of production—is likely to rise by about 5 percent, a result of increased Government emphasis on this sector.

Although egg production should take an upswing with larger new-crop grain supplies, it is now likely it will be just under the 57.6 billion eggs produced in 1975.

The USSR is optimistic regarding egg output, despite the sizable drop in layer numbers, owing largely to the uptrend in "egg-per-layer" ratio during early 1976, indicating improvements in management, technology, and/or feed efficiency. In addition, despite the poor 1975 grain crop, industrial feed production was up markedly during the first few months of 1976, due in part to use of imported grains and soybean meal produced from imported soybeans.

In regard to poultry production in the socialized sector, feed priorities were given to meat, as opposed to egg production. This was indicated by the heavy cull of layers last fall, near maintenance of poultry meat output this past spring under difficult conditions, and the shortage of other meat sources, particularly pork.

With the advent of increased feed supplies during the second half of 1976, poultry numbers on State and collective farms increased 25 percent (from 368.8 million head to 459.3 million head) in the period between January 1, and October 1, 1976, and on October 1, rose above the previous year's level for the first time.

Trade between the USSR and its traditional socialist trading partners continues to vary from year to year. However, these countries are expected to remain the primary outside source of poultry and products for the USSR in the near future.

Owing to a reduction in Soviet meat output, occasional small purchases of U.S. and West European poultry meats have occurred and remain a future possibility.

A small purchase of 2,000 tons of U.S. poultry meat was negotiated by the Soviets through a Belgian intermediary. Purchases were also made this summer from the Netherlands and Denmark.

In addition, contracts reportedly have been signed to ship over 10 million broilers—approximately 12,500 metric tons—produced in the Netherlands to the USSR. The contract is valued at more than $11.9 million. Shipments are to occur from November through February or March 1977, with the first shipment of approximately 2,500 tons planned for mid-November.

Limiting factors on Soviet imports from the United States and Western Europe include low hard-currency reserves and earning power and a capability of obtaining such products through some form of soft-currency or barter system in Eastern Europe.

Poultry meat imports by the USSR in 1975 dropped approximately 37 percent to 48,300 tons from 76,400 tons in 1974. However, despite higher domestic egg production in 1975, egg imports increased approximately 4 percent to 767.3 million eggs from 736.3 million in 1974. Primary suppliers in 1975 (in million eggs) included Poland (267.5), Finland (201.5), Hungary (167.3), and Bulgaria (121).

The USSR is currently in the first year of its tenth Five-Year Plan (1976-80). Average annual egg production is planned to be between 58 billion and 61 billion eggs, of which half are to come from enterprises within the poultry trust. Total State deliveries are planned to average 34.3 billion eggs per year. The objective for poultry meat production is to increase output to 3 million tons per year—primarily through expansion of the broiler industry.

Production figures are also available for the recently completed ninth Five-Year Plan (1971-75). Average annual egg production for firms within the poultry trust totaled 19 billion eggs, up from 7.2 billion during the previous Five-Year Plan. Poultry meat production also increased to 2.45 million tons per year for the same period (from 950,000 tons during the previous period).

Significantly, during 1975, 91.3 percent of the total increase in egg output and 96.4 percent of the total increase in poultry meat production reportedly occurred within the poultry trust enterprises. —Based on a report from

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## Meat Stabilization Plan Proposed in New Zealand

New Zealand's Agricultural Minister Duncan MacIntyre has recently introduced a bill in the House of Representatives that would put in operation the Government's price stabilization scheme for exported meat.

The bill's provisions include setting up a meat export price committee and payment of levies into a stabilization account when prices exceed trigger levels.

Minimum prices proposed under the scheme have been in effect since October 1, 1975. Currently, the Meat Board borrows money from the Federal Treasury to finance deficiency payments to exporters when export prices fall below levels which enable them to purchase meat at prices which reflect minimum schedule prices to producers.

The provision of the bill that provides direct payment to producers for exports of meats during periods of low prices probably is intended to insure the success of the stabilization scheme until it can become self-balancing.

Provisions for intervention buying also may be intended as another means of getting the stabilization program into action.

# U.K. Imports of U.S. Leaf Off As Total Imports Decline

THE UNITED KINGDOM'S unmanufactured tobacco imports from the United States fell in 1975, in line with a downtrend in the volume of total tobacco imports that has persisted for a number of years. Higher prices caused a drop in the sale of most manufactured tobacco items in the United Kingdom.

The retail price increase followed a 35 percent boost in the specific duty on leaf tobacco that was passed on to consumers. This duty jump, along with an inflation rate of over 15 percent, caused retail prices for the more expensive brands of cigarettes to reach 96 cents to $1.05 per package. Some cigarette prices have also risen in 1976 because of higher taxes, with a further dampening effect on sales.

U.K. imports of unmanufactured tobacco in 1975 amounted to 314.5 million pounds. A decline of 13 percent from the previous year's imports and the lowest level in 3 years, the import falloff was laid to a number of causes including a response by manufacturers to the contraction in domestic tobacco product demand; a significant buildup of leaf stocks in 1974; and higher processing and labor costs. The c.i.f. cost of these imports was up 5 percent to a record of $354.9 million—the result of a further depreciation of the pound and increased costs of transportation, warehousing, and insurance.

Leaf imports from the United States were 16 percent less than the previous year's—standing at 87.6 million pounds —the smallest amount since 1952. Behind this decline were the United Kingdom's overall drop in tobacco imports, which affected most major suppliers, the U.K. policy of buying large volumes from Commonwealth countries, and the trend toward using cheaper leaf.

Canada was another supplier that saw its sales to the United Kingdom drop—by 33 percent compared with the previous year's—to 43.8 million pounds. Shipments were also off from several less important suppliers, including the Philippines, Angola, Italy, South Korea, Pakistan, and Thailand. These reduced supplies were partially offset by substantially larger imports from Malawi, Zambia, Brazil, and Tanzania.

As usual, the bulk of these unmanufactured tobacco imports was flue-cured leaf, accounting for almost 75 percent of the total. About 93 percent of this tobacco arrived in stripped form, an increase of 2 percent over that received the year before.

Some 3.5 million pounds of manufactured tobacco were imported as cigarettes in 1975. This was 22 percent less than in the previous year. The Irish Republic supplied almost one-third.

Cigarettes equivalent to 793,000 pounds of manufactured tobacco were received from the United States. Imports of cigars, cigarillos, and cheroots equaled 1.9 million pounds of manufactured tobacco. The Netherlands supplied slightly over two-thirds of the total.

West Germany replaced Cuba as the second largest cigar supplier, with 249,300 pounds, compared with Cuba's 151,800 pounds. Although the dollar-area quota has been removed for cigar imports by the United Kingdom, imports from dollar-area countries continue to be small and there is no indication a significant change will take place in the forseeable future.

Smoking and health controversies were again front page issues in the United Kingdom in 1975. Even so, cigarette sales fell only 3 percent by count, compared with a year earlier, but, because of the movement to filter cigarettes and especially to smaller filter types, sales by weight declined by 6 percent. The strong trend toward filter-tipped cigarettes resulted in their accounting for 84 percent of the total by weight and 87 perecnt by number.

The economic slowdown in 1975 led to some recovery in the amount of tobacco used for hand-rolled cigarettes. There was an upward trend in cigar smoking; consumption of pipe tobacco, on the other hand, continued to decline.

The value of tobacco manufactures exported from the United Kingdom in 1975 rose 55 percent to a record $215 million, f.o.b. This was 82 percent more than the c.i.f. value of such product imports. As in recent years, cigarettes were nine-tenths of the total volume. Saudi Arabia was the largest single market while European Community countries continue to provide the largest combined outlet.

U.K. tobacco stocks at the end of 1975 amounted to 412.2 million pounds and were 23.5 million pounds greater than those of a year earlier. This buildup reflected the fall in consumption and the desire of manufacturers to replenish working supplies. The supply of onhand U.S. flue-cured leaf amounted to 118.2 million pounds—5 percent less than the previous year's.

Total manufacturer utilization of all types of unmanufactured tobacco in 1975 was 309.3 million pounds, down 5 percent from the previous year's. In the flue-cured sector, manufacturers used 6.1 million pounds less than the year before. The use of U.S. tobacco of all kinds fell about 10 million pounds—reflecting the high prices for U.S. leaf and the United Kingdom's continued desire to take advantage of existing preferential arrangements with developing flue-cured leaf exporters.

Smaller imports of cigars and cigarillos were offset in part by increased purchases of 400,000 pounds of cigar-type leaf. Available data suggests that the usage of burley and oriental types totaled only 9.7 million pounds in 1975, compared with 16.3 million pounds in 1974. However, a change in the procedure for listing this data makes it difficult to obtain a true comparison. It appears that these types accounted for only 3 percent of the total of 309.3 million pounds of leaf used for manufactured products.

THERE WERE, HOWEVER, several adverse circumstances facing the industry in 1976. The continued fall in the value of sterling is increasing the cost of leaf imports and manufacturers may again have had to raise retail prices of cigarettes.

The adoption in May of a 20 percent tax on the retail price of cigarettes, although accompanied by a nearly equivalent reduction in the tax levied on raw leaf, is leading to strong price competition among brands. Manufacturers are attempting to gain and entrench their footholds in the king-sized market sector in anticipation of further shifts toward ad valorem taxation. Profit margins could be squeezed.

Based on report from
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## Soviet Grain Crop To Approach 1973 Record

*Continued from page 9*

roughly 1.5 million hectares, leaving 129.5 million as the final grain area figure total.

Grain harvesting got off to a late, slow start last summer because of a late spring and the cool, wet weather. By mid-July, only about a third as much grain had been cut as the average amount by the corresponding dates during the past 5 years. Then from mid-July to mid-August, the cutting proceeded at an average pace but the total area cut continued to lag behind that achieved in recent years.

The rainy weather had a greater impact on the second stage of grain harvesting—that is, picking up the grain from the windrows and threshing it, than on the first stage—cutting the grain into windrows. By the end of August, almost 17 million hectares of grain were in windrows exposed to the weather.

However, the Soviets were as successful in completing grain harvesting in 1976 as in any other recent year, despite the earlier harvesting delays and other problems. During the second half of August and early September, record rates of grain cutting and threshing were achieved—2-2.5 million hectares daily. Good harvesting weather in Asiatic USSR made this high rate possible.

The virgin lands of northern Kazakhstan reportedly had never known such a rapid harvesting rate. By mid-September, the total cut area in the USSR was larger than that achieved by the same date in any of the past 5 years. Harvesting continued at a better-than-average rate in late September and during early October.

Wheat is estimated to account for 95 million tons of the 1976 grain crop, and feedgrains for roughly an equal amount. All grain-producing Republics contributed to this large volume.

Kazakhstan apparently harvested a crop somewhat larger than the 29 million tons produced in 1972. The 1976 grain crops in the Russian Federation and in the Ukraine are believed to have been close to the record harvests in 1973.

Drought cut grain yields in the southern Ukraine, in northeastern Kazakhstan, and over rather large areas in Siberia. Also, extremely unfavorable 1975 fall and winter weather forced reseeding of roughly 10 million hectares, equal to 25-30 percent of the winter grains sown in the fall of 1975. Of this reseeding, 4.4 million hectares reportedly were in the Ukraine.

State purchases of 1976-crop grain from collective and State farms are expected to be about 92 million tons, slightly higher than the record 90.5 million tons purchased in 1973. These purchases also exceeded the planned level of 90 million tons annually for the period 1976-80. Kazakhstan had already delivered a record 19 million tons of grain to the State by mid-October, exceeding the pledge to deliver 18 million tons, given during Party Chairman Leonid I. Brezhnev's visit in early September. Grain deliveries by the Ukraine in early October totaled 15 million tons, somewhat less than the average of 17 million tons delivered in 1973 and 1974.

Additional deliveries by the Ukraine this year will be largely dependent on the successful completion of the corn harvest, which is 2-3 weeks later than normal this year.

Grain deliveries by the RSFSR are expected to total roughly 53 million tons, exceeding the record of 52.2 million delivered in 1973. Grain procurements have been small from most administrative subdivisions in Siberia.

Normally waste—including excess moisture and trash—is estimated to be about 10 percent of the crop's bunker weight. (Soviet grain production is stated in terms of "bunker weight" and is determined by the weight of what is harvested in the field. It is estimated that waste from the 1976 grain crop will be 14 percent—4 percent or almost 10 million tons more than normal. Waste from the 1973 crop was estimated at 15 percent—5 percent above average.)

Grain utilization in the USSR during 1976/77 will return to a more nearly normal pattern than that following the disastrous 1975 grain harvest. The most significant change in grain utilization will be a sharp recovery in the amount used for livestock feed.

The 1976 grain crop will permit the Soviet grain trade in 1976/77 to return to a more nearly normal pattern than in 1975/76. Soviet grain imports are expected to be less than half the 26 million tons imported in 1975/76, but will include 7-8 million tons of wheat and corn bought from the United States under the US-USSR 5-year grain agreement signed in October 1975. By mid-October 1976, the Soviets had already purchased about 10 million tons of grain for shipment in 1976/77, including 6.7 million tons from the United States.

Soviet grain exports are expected to recover to a more nearly normal level of 4-5 million tons from an insignificant amount in 1975/76, following the disastrous 1975 grain harvest. Drought has sharply increased 1976/77 grain import requirements of countries in the northern part of Eastern Europe—traditional customers for Soviet grain.



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